Corliss Lamont Tells Why He Launched New Bill of Rights Fund, Page 3

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How Chiang and His Henchmen Made Money on the Korean War

The Hottest Question McCarthy Ever Evaded

Why don't the Korean war generals now flocking to McCarthy's standard, men like Stratemeyer and Van Fleet, ask McCarthy to explain the soybean speculation he financed so successfully just before Communist China intervened in the Korean war? This question, touched on gingerly by the Gillette committee, is the hottest of all the questions McCarthy has so far evaded.

Very few people know that on the eve of the Korean war Chinese Nationalist interests established a virtual corner on soybean futures as if they knew what was coming; that they cleaned up $30,000,000 on their strange foresight; that Senator McCarthy through a friend financed a flier in soybeans later that year, just before the Chinese Communists entered the war; that the funds he used were loaned him for anti-Communist purposes; and that one of the questions he never answered was whether he had "confidential information" with respect to soybean futures.

Here is the story. This is the time to tell it. And this is the time, when McCarthy is wrapping himself in the mantle of patriotism, for some Senator to get up on the Senate floor and ask McCarthy to explain.

The story begins four months before the Korean war broke out. At that time the long-term prospect for soybean prices was downward. China, with the civil war over on the mainland, was resuming her old role as a major producer and exporter. In February, 1950, *Standard and Poor's*, the authoritative survey of financial and commodity markets, said of soybeans, "the long-term outlook is for lower prices as world supplies become normal."

Yet in March of 1950 the Commodity Exchange Authority of the U.S. Department of Agriculture began to get complaints of excessive trading in soybeans. There were complaints that non-speculative producers were being put out of business and that farmers were getting no benefit out of the splurge because they had already disposed of their crop.

A Report Too Long Ignored

The complaints and what follows are taken from an official report on "Speculation in Soybeans" which the Department of Agriculture issued on August 10, 1950. It was ignored and buried at the time, but now merits resurrection in the light of the McCarthy debate and the more belligerent Far Eastern policies being demanded by pro-Kuomintang Senators like Knowland.

The Commodity Exchange Authority began to investigate. It found on March 27, 1950, three months before the Korean war began, that 87 percent of the holdings in the futures market were speculative and not for normal price hedging. It was found that Chinese names and firms in this country and Hong Kong were prominent among the speculators.

The CEA reported, "The continued growth in accounts with Chinese names in soybean futures led to a special investigation of such accounts at the end of May," i.e. just four weeks before the war began. The CEA found that Chinese accounts held a third of the July futures on the long side (i.e. those betting that prices would be higher in July). On June 30, five days after the war began, the CEA found that in the intervening month the number of such Chinese accounts had risen to 56 and that they now held almost half the July futures on the long side, and almost one-fifth of all soybean futures.

The Commodity Exchange Authority said speculation in futures by Chinese was not unusual, but it added "*No previous instance has been found, however, in which Chinese held as large a proportion of the total open contracts in any commodity as in the 1950 July soybean future.*" Did these Chinese Nationalist interests in this country and Hong Kong know the war was coming? Their foreknowledge, if such it was, paid off. From March until July, 1950, the July future on soybeans rose from $2.34¾ a bushel to $3.45½, a rise of 49 percent.

The report said foreign traders were not, of course, barred from our commodity markets. "Such traders would be subject to sanctions," it said, "only in the event that it could be proven that their activities were manipulative, or in some other manner in violation of the Commodity Exchange Act." The report said that "From the investigation as *so far* developed such proof had not appeared."

Just a Speculative Splurge?

The report asked no questions—did not even take note of—the strange coincidence that this Chinese Nationalist gambling in July, 1950, futures paid off only because the outbreak of the Korean war on June 25 disrupted the world soybean market. The report ended with the complacent observation that the soybean affair appeared to be just another "classical 'speculative splurge.'"

Some people thought it more than just a speculative "splurge." When Secretary of State Acheson was before the MarArthur inquiry the following year, the late Senator McMahon questioned him about reports that "a year ago last June" certain Chinese interests had cornered the market in soybeans. Acheson said he had discussed it with Secretary of Agriculture Brannan. It is not often that a Secretary of State takes the time to discuss a speculative splurge in a grain market with the Secretary of Agriculture.

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The discussion, however, left curiously little impress on Acheson's memory. Acheson replied, "No sir," when asked by McMahon "You do not know the relationship at this time between the so-called China lobby crowd and this operation."

Though Senator, then Representative, Mike Mansfield had already suggested two years earlier (Aug. 25, 1949) that Congress investigate to see whether grants of aid to Nationalist China were being used to finance attacks on the State Department, and Senator Morse had been questioning Acheson along the same lines, the Secretary of State showed a discreet disinterest in the subject.

A Slap on the Wrist From Agriculture

His appearance before the MacArthur inquiry committee was on June 8, 1951. Senators McMahon and Morse asked him to report back on the activities of Chinese Nationalist agents. The only result seems to have been that the Department of Agriculture finally decided to take some action against these speculators.

On August 15, 1951, it was announced that "firm limits" were being placed on speculative trading in soybean and egg futures. (China is a big factor in the world egg market; apparently there had also been Chinese Nationalist speculation in eggs). The Associated Press reported vaguely that the limits were being imposed as a result of testimony earlier in the year at some Congressional hearings. It made no mention of the Chinese angle. But the United Press (see the New York *Herald-Tribune*, August 16, 1951) said the action was being taken as a result of the MacArthur hearings and that Chinese "cleared an estimated $30,000,000 on a sharp rise in soybean prices."

The "firm limits," to take effect on October 1, turned out to be ludicrous—a limit of 1,000,000 bushels was set on the amount of soybeans futures which could be bought by any one man on any one day on any one contract market. The CEA's own report indicated that large buyers were already using "dummies" to avoid buying in any such large quantities.

In the meantime nobody in Congress or anyone else had taken up a hint dropped by Secretary of Agriculture Brannan when he gave out the CEA report on soybean speculation. Brannan told reporters he "might disclose names of traders and further details of the trading if requested to do so by Congress." (*N. Y. Times*, Aug. 11, 1950.)

It was not until November 26, 1952, when the Gillette committee began to investigate reports that McCarthy, too, had been speculating in soybeans during 1950 that Brannan was asked for and released to the committee and the press (which ignored it) the names and addresses of the Chinese traders in soybean futures "who were referred to, but not identified, "in the CEA report of August, 1950. This showed two Nationalist Chinese family corporations (Franconia Trading and Oriental Fine Arts) among the speculators.

No one bothered to investigate the names, nor to ask them how they came to buy soybean futures just in time to make a killing on a war which was officially a "surprise" to the U.S. and the West. The fact that McCarthy was involved only made members of Congress afraid to look into the subject.

Speculation in soybeans (and apparently also in eggs) continued to be a favorite with Chinese Nationalist speculators. Both commodities stood to be affected by the course of hostilities with the Chinese mainland. The Chiang crowd was in a position to know a good deal about this, and to affect the course of events.

Bored With Joe—and Nixon

"The American people showed what Eric Sevareid, the news commentator, calls their low boring point in the November 2 elections. What they got bored with was McCarthyism. Senator McCarthy said he would support every Republican except Clifford Case . . . Case won. Three strong supporters of McCarthy—Congressmen Kersten in Wisconsin, Busbey in Illinois and Clardy in Michigan—were defeated . . .

"Carefully picking his spots, Vice President Nixon adopted McCarthy tactics in Oregon, Wyoming, Montana and New York. Result: Democrat Richard Neuberger was elected Senator from Oregon, Democrat Joseph O'Mahoney was elected Senator from Wyoming, Democrat James Murray was elected Senator from Montana, and Democrat Averill Harriman was elected Governor of New York.

"If the 1954 elections proved anything, it was that Senator McCarthy's political sun is nearing permanent eclipse."

—*A. F. of L. News-Reporter, Nov. 12*

What The Gillette Committee Found

The Gillette committee found that in September, 1950, McCarthy took $10,000 from special funds loaned him for anti-Communist purposes and passed the money on to an old friend, Henry J. Van Straten, who in turn deposited the money with a brokerage firm and used it between October 2 and October 27 to buy 30,000 bushels of January futures in soybeans. With the advance to the Yalu in November and Chinese intervention, soybeans rose sharply again. By January 2, a profit of $17,000 had been made on the $10,000 invested.

The Gillette committee wanted to know, among other things in connection with this transaction, "Did Senator McCarthy have confidential information with respect to the trend of the soybean future market?" The committee in a parenthesis referred to the Commodity Exchange Authority report on Chinese Nationalist activity in soybean futures but seemed afraid to go into the subject. In its section on reported relations between McCarthy and the China lobby it said, "in the face of the reasons which the Senator has used in refusing to cooperate with the subcommittee, namely, because S. Res. 187 was Communist inspired and any criticism or investigation of him was an aid to Communism—the subcommittee has been reluctant to conduct any extensive inquiry of this matter *or to discuss it in this report.*" A more abject statement would be difficult to find.

To sum up, these Chinese Nationalists, Chiang and his family henchmen, made some $30,000,000 on July, 1950, soybean futures because they "guessed" right that the Korean war was coming at the end of June. If they knew the North planned to attack, they were culpable in not informing our government. If Chiang and Rhee were preparing to provoke an attack from the North in order to divert the Chinese Communists from an attack on Formosa and to strengthen Rhee at home, they are even more culpable. The Chiang crowd stood to gain politically and financially by the outbreak of the war. It is time the country got a complete look at their financial operations and at their relations with Senators like McCarthy.

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A Desire to Do More Than "Study and Deplore"

Why The New Bill of Rights Fund Is Being Established

BY CORLISS LAMONT

The Bill of Rights Fund was established November 4 with initial assets of $50,000. The organizers of the Fund hope eventually to raise a million dollars.

The Fund is non-profit; its officers serve without pay; and its administrative expenses will amount to very little. While recognizing the value of research projects of the sort undertaken by the fifteen-million-dollar Fund for the Republic set up by Henry Ford II—projects that "study and deplore" the present state of civil liberties—the Bill of Rights Fund will stress direct donations, both to organizations fighting effectively for freedom, and to individuals whose rights have been violated and who need financial aid. *We do not intend to hamstring the operations of the Fund by so limiting our type of gifts that we would be able to obtain tax exemption.*

The Fund's First Grants

At the first meeting of the Executive Committee on November 11, donations were voted for one church, for one militant branch of the American Civil Liberties Union, and for the legal defense of two individuals whose defiance of Congressional investigating committees raises basic constitutional issues. No part of the Fund will be used for my own contempt of Congress case.

The first grant that we made was $1,000 to the First Unitarian Church of Los Angeles to assist in that institution's court battle against the California Levering Act, which makes the signing of a loyalty oath by religious, educational, and charitable organizations a condition for further tax exemption. The First Unitarian Church is one of a number of religious organizations which have refused to sign the oath on the ground that it violates the First Amendment's provision establishing separation between church and state.

The Fund's initial announcement made clear that we shall not render support to any organization that has compromised on fundamental civil liberties principles.

The Bill of Rights Fund will be particularly interested in cases that test in the courts the constitutionality of recent repressive legislation.

Aid to Individual Victims

One of the worst features of the present situation is that when you are dismissed from a job in the United States Government or private business for, say, standing on your constitutional rights before a Congressional committee, you are likely to be widely blacklisted and to find it all but impossible to obtain fresh employment.

This is why the Bill of Rights Fund also aims to render financial aid to victims in the civil liberties struggle who have lost their jobs. Here, however, as in helping out with legal expenses in important cases, we shall in general expect the individual concerned to match, in contributions from his particular circle of relatives, friends and acquaintances, whatever amount the Fund puts up.

The Bill of Rights Fund is not intended to duplicate or compete with any existing civil liberties organizations. The Fund will not undertake activities beyond making grants for the defense of the Bill of Rights.

The Fund is not following the usual pattern of obtaining a long list of prominent persons for its letterhead. We believe that in this age of suspicion such a letterhead may make people less willing to give; that a small Executive Committee will be more efficient in the administration of the Fund; and that it will be less likely to develop the bitter dissensions that have so crippled other civil liberties organizations in recent years.

The Executive Committee

The Executive Committee of the Bill of Rights Fund, with the advice of the Fund's counsel, Philip Wittenberg, decides on what grants are to be made. That Committee consists of myself as Chairman; Mr. Augustus M. Kelley, of New York City, grandson of the well-known social worker, Florence Kelley, as Treasurer; and Miss Edna Ruth Johnson, Managing Editor of *The Churchman*, as Secretary.

The substantial mail returns during our first two weeks of operation, with very little promotion, lend support to our belief that this enterprise will have a wide popular appeal. All subscriptions over $5,000 are to remain in escrow accounts from which the donor may give direct to an individual or organization on the recommendation of the Fund's Executive Committee. Under this arrangement the donor has the right *not* to follow the Committee's recommendation. He will not become subject to a Government gift tax from the mere fact of setting up a large escrow account, but only if any one donation from that account totals more than $6,000 (if the donor is married) or $3,000 (if the donor is single).

I myself have subscribed $50,000, not only to provide a good send-off for the Fund, but also to stimulate others to contribute large sums. Public-spirited Americans of means have long given generously to education, hospitals, and charity in general. I believe that they should develop similar habits of giving for the defense of freedom.

Is Paul Sweezy a Victim of the China Lobby?

It was Paul Sweezy who, with Leo Huberman as co-editor, first called attention in the October, 1951, issue of their *Monthly Review* to the political implications of the soybean speculation by the China Lobby crowd on the eve of the Korean war. Now Sweezy—who lives in Wilton, New Hampshire—faces jail for contempt in refusing to answer questions put by his State's 'Little McCarthy,' its Attorney General Louis Wyman.

Wyman, a graduate like Scott McLeod of Senator Bridges' staff, was himself closely linked to the China Lobby crowd. His wife served in 1950 on the board of directors of Franconia Trading Corporation, one of the concerns named by the Department of Agriculture as a participant in the soybean speculations discussed on pages one and two of this issue. Did Sweezy make himself a marked man by his soybean revelations?

If the real interests of this country were decisive, Sweezy would be investigating Wyman instead of Wyman investigating Sweezy. At a meeting under the auspices of the American Association of University Professors at Columbia last Monday (under the chairmanship of Professor Ernest J. Simmons, himself a McCarthy target in last year's "book hunt") Sweezy had a chance to explain the issues involved. Sweezy refused to name members of the Progressive Party or to submit to interrogation about a lecture he gave on socialism at the State university.

A victory in his case will help to set back similar inquisitions in other States. At a public meeting at the Cornish Army Hotel in New York next Monday night, November 29, Sweezy will repeat the lecture on socialism which gave the witch hunters their excuse in New Hampshire; Leo Huberman will give the facts of the case; Prof. Broadus Mitchell will talk on its impact on teaching; Raymond Walsh will chair and I will have some more to say about this China Lobby angle, and Wyman's claim that he can investigate any political party in order to find out whether it has been "infiltrated." All readers are invited. Make it a demonstration. The *Weekly* is co-sponsor of the meeting.

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The Preventive War Crowd Really Believes in Communism

The apparent confusion in Washington is not confusion at all. On the contrary, much is being clarified. What is happening reflects the slow return to sanity at home and abroad. In the process, the assorted screwballs, Fascists and preventive war crowd are being clearly separated from the sane conservative elements of our society. McCarthy's impending break with the Republican party, Knowland's frantic attack on the idea of co-existence, marks their desperation.

It looks now in retrospect as if the J. B. Matthews affair last August, alarming the Southern Democrats with its slur on Protestantism, was the beginning of the anti-McCarthy tide. In this respect the amazing number of priests and nuns among the McCarthy claque in the galleries of the Senate last week did not help endear him to the Southerners.

It was a Roman Catholic Senator, Chavez, however, who really handed McCarthy his most stinging rebuke. This came on November 11 when McCarthy objected to Lehman putting a eulogy of John Paton Davies in the Congressional Record. Chavez said he knew Davies and his family and added, "They are just as patriotic—which is not saying much—as the Senator from Wisconsin."

The "Sore Elbow" Won't Help

A compromise on McCarthy seems to be out. It might have been possible but for his attitude. He treats his own followers with contempt, as was shown when he walked out on Senator Goldwater's speech, and his manners grate even on those impelled to defend him. Butler of Maryland, for example, who owes his seat to McCarthy and shares McCarthy's views is nevertheless a gentleman, courteous to witnesses, willing to hear the other side. McCarthy's "sore elbow" is a feeble run-out device to stall for time.

The Knowland speech on co-existence was a veiled threat to the White House that unless it makes new concessions to Chiang Kai-shek it may not be able to win censure of McCarthy. The immediate reaction from Dulles and Wilson showed that the Administration feels strong enough to "go it alone" without Knowland. Dulles, who agrees much more with Knowland than Eisenhower, was forced to go to bat for the White House. Wilson has been for "co-existence" all along. What Knowland was threatening in effect was a Congressional investigation which would allow Radford, Carney and Twining to air their grievances against Eisenhower.

The serious aspect of the situation was the readiness of some Democrats to join hands with Knowland. Douglas's immediate approval was not surprising; his speech of January 15, 1951, advocated the "massive retaliation" approach long before it was formulated by Dulles. Douglas was for "no squeamishness" in wooing allies like Chiang and Franco, warned long before Nixon against "nibbling operations" though without using that term, and said that at the next act of "aggression by a satellite" we ought to strike "at the eye of the octupus itself." Symington, who also welcomed the Knowland speech, has long been a spokesman for air force interests smarting under Republican "economy." But it was a little disappointing to see Lehman chime in, too; it was left to another Democrat, Hennings of Missouri, next day to reprimand the Republican majority leader for failing to support a Republican President. How long can Knowland stay as a majority leader?

The Real Answer to Knowland

The real answer to Knowland and the real question was put by Senator Fulbright. "I wonder," he said, "why the Senator feels that under what he calls co-existence and atomic stalemate the Communists are bound to win." Knowland never did answer that question. The fact is that the preventive war crowd have no faith either in democracy or "capitalism" to solve basic problems; they really believe in communism and its efficacy; that is why they hate it so, see war as the only way out, even if war means suicide.

But in Western Europe where there has been co-existence and stalemate since the war, the Communist parties have lost ground wherever democratic parties have been powerful enough with American aid to bring about recovery, to meet popular aspiration halfway and to make some modicum of reform. The big exception is Italy, and Italy is the big exception because its capitalist class is so corrupt and decadent, its feudal hangovers so strong, the power of the Catholic Church so great, as to make progress impossible at anything more than a snail's pace.

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